

PRESS RELEASE

Banks mobilised to revive the economy

Since the health crisis erupted, banks have worked to shore up the French economy by establishing strong, concrete measures. The Government-Backed Loan was quickly and massively rolled out, issued to more than 570,000 companies to date for a total of nearly €120 billion. This commitment to helping businesses and professionals overcome the crisis is naturally set to continue in this new economic revival phase.

In the circumstances, a personalised dialogue between companies and their banking advisor is clearly essential. Accordingly, in the next few weeks, the resumption of loan repayments for companies granted moratorium periods will be part of the discussion on their business and outlook in a bid to find the most appropriate solutions.

As regards repayments of government-backed loans, two to four months before the anniversary of the loan grant date, the advisor will set out the company's applicable interest rate conditions for the various possible maturities, in accordance with the banking industry's commitment to recognise these loans at cost. Each bank will base its determination on resource costs, adding the cost of the government guarantee already set by law. In line with the statements issued by the French Ministry for the Economy, Finance and the Recovery, and in light of information available to date (particularly on market conditions), the borrowing rate could range from 1% to 2.5% per year for VSEs/SMEs¹, depending on the selected maturity, including the 0.5%-1% government guarantee.

The head of each company will decide either to immediately repay the government-backed loan or to spread it out for an additional 1 to 5 years. Principal payments will make up most of the instalment for the company, so the amortisation period will be a key element of the decision.

For Philippe Brassac, Chairman of the FBF: *"French banks are fully committed to helping make the economic recovery happen. Through an ongoing dialogue with their advisor, each business and professional will be able to find the best solution for them, especially when it comes to repaying government-backed loans. We are confident in our ability to take decisive action, as we did in rolling out the government-backed loan, in perfect coordination with the public authorities and companies alike, which made it possible to deliver both speed and volume."*

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¹ VSEs/SMEs: companies with fewer than 250 employees and revenue of less than €50 million or total balance sheet assets of less than €43 million.

Repaying a Government-Backed Loan (GBL)

Are you a professional or a company with **fewer than 250 employees** and generating **revenue of less than €50,000** in France? **If you have taken out a GBL**, you can repay the loan at the end of one year or spread out the instalments over a maximum of 5 additional years. See the example provided to learn about the cost of a GBL, based on the number of years taken to repay the loan. Your banking advisors are at your disposal nationwide to assist you and answer any questions you might have.



EXAMPLE OF A VSE/SME THAT TOOK OUT A €180,000 GBL

Examples of amounts to be repaid by an SME/VSE with a government-backed loan of €180,000



- SME/VSE defined according to European criteria: companies with fewer than 250 employees and revenues below €50 million or an annual balance sheet total of €43 million.
 - Calculations simplified as an annualised average for the principal amount outstanding and the cost, comprising the government guarantee fee and interest, based on repayments over 1, 2, 3, 4 or 5 further years.

KEY INFO

€180,000 is the average amount of GBLs taken out by VSEs/SMEs. Based on currently available information and market conditions, it is reasonable to say that, for an average GBL of €180,000 for a VSE/SME, the average annual cost of the government guarantee and interest charged by the bank would range from €1,600 to €2,200, and the annual principal repayment would range from €36,000 to €180,000 depending on the selected amortisation period.



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